

**EDEN BUILDERS (PRIVATE) LIMITED (EBPL)**

RATING (MARCH 2008)

EDEN BUILDERS (PVT.) LIMITED

	INITIAL
SUKUK	A
PKR 2,500mln	

FINANCIAL DATA

PKR (MLN)

	31-Dec-07*	30-Jun-07
Total Assets	1,135.2	1,107.7
Turnover	36.3	49.3
Net Income	1.7	20.6
EBITDA	4.7	26.6
EBITDA/Interest	3.5	19.0
Net Int. Cover	12.8	24.3

*Unaudited, for six months period.

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RATING RATIONALE AND KEY DRIVERS

- The rating reflects the EBPL's well-conceived business strategy, which is supplemented by established project execution and monitoring systems. At the same time the rating takes into account the stringent covenants linked with disbursement of Sukuk proceeds, charges registered on all assets related to the underlying project - Eden Value Homes Extension (EVH-Ext) - additional charge on another project land till launch of EVH-Ext, and cash flows to be generated from the underlying project.
- Meanwhile, any unexpected delay in planned acquisition of the land or time / cost over runs, if not managed properly, could impact the cash flows of the project and, in turn, the rating of the instrument.

SUKUK STRUCTURE

- In line with the general practices of the real estate developer industry, Eden Builders (Pvt.) Limited (EBPL) would require financing from financial institutions for the land acquisition and initial development stage of its projects. Accordingly, the company intends to issue rated, privately placed Sukuk to meet the financing requirements of its upcoming project, Eden Value Homes Extension, the project located in Lahore close to Thokar Niaz Baig, is planned to be launched in October 2009. The total targeted land area of the project is 1,500 kanal, around 55% of which would be utilized for housing units while the rest for roads, parks, and other amenities. Total number of housing units would be above 4,800, with each unit covering land area of 2.5 Marla to a maximum of 10 Marla.
- The proposed instrument is based on *Diminishing Musharakah* structure, an Islamic mode of financing. The total amount of the Sukuk is PKR 2,500mln (inclusive of green shoe option of PKR 500mln). The proceeds of the proposed Sukuk issue, to be received in multiple installments by EBPL within one year from the first disbursement, would be primarily utilized for acquiring land, its development, and construction for EVH- Ext. Sukuk would have a tenor of five and half years carrying profit based on 3- month KIBOR plus 200 bps, to be paid quarterly in arrears. The principal would be repaid in 16 equal quarterly installments, beginning one and half years after the date of first disbursement. Each Sukuk disbursement would be released after establishment of specific and exclusive charge on the land for the proposed project and other specific land in favor of Sukuk trustee with a 25% margin. For determining the amount that could be released, the value of underlying land would be restricted to the lower of actual cost incurred by EBPL or valuation by the approved valuer. Sukuk holders, in addition to charge on land related to EVH-Ext, would have assignment over all receivables of the project.
- All the proceeds originating from booking of housing units to be constructed in EVH-Ext would be deposited in a bank account, which would be under lien of the trustee of the instrument. The funds in that account, being in excess of the amount of upcoming installment, could be transferred to EBPL. One installment reserve will be maintained at all times to be build up before the end of the grace period on principal repayment. This may be applied for the upcoming installment payment in case there is a shortfall in the debt servicing amount and will be replenished in the subsequent three consecutive months. The reserve fund may be applied for the payment of the last installment.
- The debt equity ratio of the company would not exceed 75:25 during the tenor of the instrument. In case of breach of this condition, the sponsors undertake to inject additional equity in the company to keep debt level within the agreed parameter.
- Additionally, till the launch of EVH-Ext, EBPL would provide specific and exclusive charge in favor of Sukuk on an approximately 300 kanals of land procured for already launched Eden Value Homes.
- The Directors of EBPL would also provide personal guarantees for redemption of Sukuk.